

VZCZCXRO0106
PP RUEHFK RUEHKSO RUEHNAG RUEHNH
DE RUEHKO #0501/01 0640539
ZNR UUUUU ZZH
P 050539Z MAR 09
FM AMEMBASSY TOKYO
TO RUEHC/SECSTATE WASHDC PRIORITY 1246
INFO RUEKJCS/SECDEF WASHDC PRIORITY
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY
RUEAWJA/USDOJ WASHDC PRIORITY
RULSDMK/USDOT WASHDC PRIORITY
RUCPDOG/USDOC WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEKJCS/JOINT STAFF WASHDC//J5//
RHHMUNA/HQ USPACOM HONOLULU HI
RHHMHBA/COMPACFLT PEARL HARBOR HI
RHMFIUU/HQ PACAF HICKAM AFB HI//CC/PA//
RHMFIUU/USFJ //J5/JO21//
RUYNAAAC/COMNAVFORJAPAN YOKOSUKA JA
RUAYJAA/CTF 72
RUEHNH/AMCONSUL NAHA 5119
RUEHFK/AMCONSUL FUKUOKA 2772
RUEHOK/AMCONSUL OSAKA KOBE 6563
RUEHNAG/AMCONSUL NAGOYA 0564
RUEHKSO/AMCONSUL SAPPORO 3322
RUEHBJ/AMEMBASSY BEIJING 8070
RUEHUL/AMEMBASSY SEOUL 4092
RUCNDT/USMISSION USUN NEW YORK 4017

UNCLAS SECTION 01 OF 12 TOKYO 000501

SIPDIS

DEPT FOR E, P, EB, EAP/J, EAP/P, EAP/PD, PA;
WHITE HOUSE/NSC/NEC; JUSTICE FOR STU CHEMTOB IN ANTI-TRUST DIVISION;
TREASURY/OASIA/IMI/JAPAN; DEPT PASS USTR/PUBLIC AFFAIRS OFFICE;
SECDEF FOR JCS-J-5/JAPAN,
DASD/ISA/EAPR/JAPAN; DEPT PASS ELECTRONICALLY TO USDA
FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY ADVISOR;
CINCPAC FLT/PA/ COMNAVFORJAPAN/PA.

E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)

SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/05/09

Index:

- 1) Top headlines
- 2) Editorials

3) U.S. Special Representative Bosworth and China's foreign minister agree on position opposing North Korean missile launch (Asahi)

Anti-piracy operations:

- 4) Bill to create legal system to deal with piracy is ready in outline, will make "piracy" a crime for the first time, and be adopted by the Cabinet next week (Asahi)
- 5) Defense Ministry is dissatisfied with parts of the new draft legislation allowing anti-piracy operations (Mainichi)

Ozawa scandal:

- 6) Crooked construction company, Nishimatsu, funneled 300 million yen in illegal donations over 10 years to Democratic Party of Japan (DPJ) head Ichiro Ozawa (Tokyo Shimbun)
- 7) Ozawa's secretary directly received illegal political donations and provided receipts for them (Mainichi)
- 8) Ozawa's secretary coordinated with the construction company ahead of time to determine the size of the donation (Asahi)
- 9) Former Prime Minister Mori also received donations from Nishimatsu's political organization but claims his side was unaware they were illegal (Tokyo Shimbun)
- 10) In the past three years, 18 politicians other than Ozawa have been caught taking shady political donations (Yomiuri)
- 11) Calls for Ozawa to quit continue (Yomiuri)

Political agenda:

12) Ozawa scandal has quieted down the clamor in the ruling Liberal Democratic Party for Prime Minister Aso to step down (Asahi)
13) Second stimulus package with cash-handout program finally passes the Diet by an override revote in the Lower House, with former premier Koizumi absent (Nikkei)

Economy:

14) Computer simulation shows that the government's stimulus package that includes cash handouts will have only a slight effect on boosting the economy (Asahi)
15) "Ozawa shock" rattles fears in the markets setting off a wave of "Japan selling" (Sankei)

16) JICA head Ogata named as special envoy to Afghanistan and Pakistan (Mainichi)

17) Government to propose to IWC a scaling down of its research whaling (Asahi)

Articles:

1) TOP HEADLINES

Asahi:

Ozawa's arrested aide made coordination with Nishimatsu Construction side on donations

Mainichi:

Law enacted to implement contentious cash handout plan

TOKYO 00000501 002 OF 012

Yomiuri:

Ozawa side, Nishimatsu Construction agreed on annual 25 million yen donations

Nikkei:

Mitsubishi eyeing solar power with stake in Spanish firm

Sankei:

Ozawa's secretary suspected of acting as intermediary for Nishimatsu Construction to receive orders for dam construction projects

Tokyo Shimbun:

Nishimatsu Construction donation scandal: 300 million yen donated to Ozawa side

Akahata:

Ozawa side suspected of demanding donations

2) EDITORIALS

Asahi:

(1) Nishimatsu Construction scandal: DPJ President Ozawa cut off his retreat
(2) Cash handout costing 2 trillion yen: We wanted use that money in a wiser way

Mainichi:

(1) Ozawa's press conference will not satisfy people
(2) Cash handout scheme: Pork-barrel budget has been enacted

Yomiuri:

(1) Ozawa's press conference has not cleared suspicion
(2) Settlement of cash handout scheme: Do not repeat policy confusion

Nikkei:

(1) Press ahead with additional stimulus package that will boost growth in bold manner
(2) Was Ozawa's account persuasive?

Sankei:

(1) Press conference by Ozawa: We seek DPJ to make self-help effort
(2) Cash handout plan: Hurry to take economic stimulus measures toward the end of fiscal year

Tokyo Shimbun:

- (1) Ozawa rebuts: DPJ's crisis management to be called into question
- (2) Cash handouts to be distributed: Political deterioration pronounced

Akahata:

- (1) Nishimatsu Construction's camouflage donations: Dispelling doubts is politicians' primary responsibility
- 3) U.S. Special Representative Bosworth and China's foreign minister agree on position opposing North Korean missile launch

ASAHI (Page 9) (Full)
March 5, 2009

By Hiroshi Ukai in Beijing

TOKYO 00000501 003 OF 012

Special Representative of the U.S. Government for North Korea Policy Bosworth met on the 4th with China's Foreign Minister Yang Jiechi. They continued the conversation started the day before with Vice Foreign Minister Wu Dawei, who is the chief delegate to the Six-Party Talks. According to Bosworth, through the series of meetings, there was mutual agreement in views of opposition to a North Korea missile launch as "undesirable." In addition, the Chinese side reportedly agreed on the need to restart as quickly as possible the Six-Party Talks.

Bosworth will arrive in Japan today and after that visit South Korea. In order to demonstrate the U.S. stance of giving priority to the denuclearization of the Korean Peninsula, "there was a request to President Obama and Secretary Clinton for me to visit as soon as possible after being appointed," he said. But as for any plans to contact North Korea, he said there "are none at this time."

4) Charges eyed for pirates

ASAHI (Page 4) (Full)
March 5, 2009

The government yesterday outlined a bill for a law concerning punishment for piracy and measures against piracy. The newly planned law will establish charges for piracy and stipulate antipiracy operations as additional overseas activities for the Self-Defense Forces. The legislative measure authorizes the SDF to use weapons overseas to an expanded scope, allowing the SDF to fire on pirate ships refusing orders to stop.

The government will make a cabinet decision next week to adopt the bill, aiming to enact it into law during the current Diet session. Concurrently, the government will invoke an action for maritime security operations under the Self-Defense Forces Law. Maritime Self-Defense Force destroyers will set sail March 14 to head for waters off the coast of Somalia. After the antipiracy law is enacted, the MSDF's deployment for maritime security operations off Somalia under the SDF law will be switched to antipiracy operations under the new law.

The outlined bill refers to the United Nations Convention on the Law of the Sea (UNCLOS) that requires all countries to cooperate to the fullest possible extent in the repression of piracy on the high seas or in any other place outside the jurisdiction of any country. In this connection, the bill is Japan's first legislative measure to stipulate punishment for piracy. The new law will stipulate that those who committed piracy will be imprisoned for life or sentenced to a penal servitude of five or more years. Those who killed a person will be sentenced to death or life imprisonment.

The bill says the Japan Coast Guard will primarily be tasked with antipiracy counteractions. If there is a "special need" that cannot be met by the JCG, the defense minister, with the prime minister's approval, may send out the SDF. In that case, the defense minister will submit an outline of counteractions to the prime minister,

specifying the scale of SDF deployment for antipiracy operations as well as where and how long the SDF's antipiracy operations will be conducted. Concerning the Diet's commitment, the bill stipulates that the government must report its SDF deployment plan to the diet without delay after the prime minister approves it. The SDF will be allowed in principle to use weapons under the currently existing

TOKYO 00000501 004 OF 012

police duty execution law's Article 7 provisions that limit the use of weapons to legitimate self-defense or some other cases. However, the SDF will be allowed to fire on vessels in order to halt them in the case where these vessels keep closing in on merchant ships, tailing merchant ships, or standing in the way of merchant ships while refusing SDF orders to stop.

Main points from antipiracy legislation

Purpose: The antipiracy law purports to stipulate matters needed for Japan to take appropriate and effective actions against piracy and maintain public safety and order at sea.

Piracy and its definition: The antipiracy law defines piracy as boarding a ship on the high seas or elsewhere for private purposes, and: 1) seizing or controlling a ship at sea; 2) seizing a ship's properties; 3) abducting anyone onboard a ship, or 4) taking hostage to demand properties and the like; and also for any of the first four purposes, 5) breaking into a ship or damaging a ship; 6) extremely closing in on a ship; or 7) sailing at sea with weapons prepared.

Charges for piracy: The first four acts are subject to life imprisonment or a penal servitude of five or more years. Those who injured a person will be imprisoned for life or get six or more years. Those who killed a person will be sentenced to death or life imprisonment. Those in the fifth or sixth case will be sentenced to a prison term of up to five years. Those in the seventh case will be sentenced to a prison term of up to three years.

Authorization for weapons use: The SDF will be allowed to use weapons under the police duty execution law. In addition, the SDF may use weapons in order to halt pirate ships if they refuse orders to stop.

Antipiracy actions: The defense minister will prepare an outline of counteractions against piracy, and with the prime minister's approval, may order the SDF to conduct counteractions. The prime minister will submit a report to the Diet when approving the defense minister's request for approval and after ending the SDF's counteractions.

5) Defense ministry unhappy with legal endorsement of SDF's antipiracy mission

MAINICHI (Page 2) (Abridged)
March 5, 2009

The government yesterday presented the ruling coalition's project team with an antipiracy bill for measures against pirates in waters off the eastern African coast of Somalia. This legislation is aimed at legally endorsing the Self-Defense Forces' ocean-going antipiracy mission, which is said to be an act of circumventing the Self-Defense Forces Law in the case of maritime security operations under the SDF law as noted by a high-ranking government official. Concerning guidelines for the use of weapons in focus, government leaders at the prime minister's office and the New Komeito, the ruling Liberal Democratic Party's coalition partner, want to restrict the SDF's use of weapons overseas-or the rules of engagement (ROE)-within the bounds of the current law. However, the Defense Ministry insisted on the need to explicitly ease the government's guidelines for the SDF to use weapons overseas. As it

TOKYO 00000501 005 OF 012

stands, the two sides faced rough going in their coordination. In the end, they concurred on allowing the SDF to only fire on pirate

ships in order to halt them if they keep closing in on merchant ships, a case outside the current law.

The New Komeito is sensitive to constitutional issues, so the prime minister's office stuck to the currently existing police duty execution law's Article 7 provisions that will be applied to the SDF's maritime security operations overseas for an antipiracy mission. However, the Defense Ministry anticipated specific cases, maintaining that pirates could ignore a warning and keep closing in on merchant ships and that they could rope up a merchant ship. Given such cases, the Defense Ministry has brought a countercharge, taking the position that the SDF will waver in its judgment under the current guidelines. For this reason, Defense Ministry officials are dissatisfied with the bill. "It's not easing the guidelines so much," a top-level official of the ministry said. The official added, "It won't lead to discussions on a permanent law (which will prescribe general requirements for the SDF's overseas activities)."

6) Donations from Nishimatsu to Ozawa office total 300 million yen

TOKYO SHIMBUN (Top Play) (Full)
March 5, 2009

Nishimatsu Construction Co., a second-tier general contractor, formed a framework for its donations to Democratic Party of Japan (DPJ) President Ichiro Ozawa's fund-managing organization more than 10 years ago, according to persons involved in the case. The body received a total of 25 million yen from the company annually through dummy political groups and even from its subcontractor. The total amount of donations provided by the company over ten years reaches 300 million yen. To unveil the actual state of the donations extended over a long period of time, the special investigation squad of the Tokyo District Public Prosecutors Office intends to question Ozawa about the details of the case.

Prosecutors to question Ozawa

According to persons concerned, Nishimatsu was also offering the money collected from a subcontractor with which the company, besides donations through dummy political organizations. The donations from the political bodies and from the subcontractor annually totaled 15 million yen and 10 million yen, respectively.

With donations from Nishimatsu itself included, the total amount is approximately 300 million yen over 10 years.

It has already been found that donations through the two dummy groups amounted to a total 83 million yen between 2003 and 2006 and that Shoei Real Estate Co., Nishimatsu's 100 PERCENT -financed subsidiary, donated more than 10 million yen since 1995.

Ozawa's fund-management organization and Nishimatsu set this framework of donations in response to Ozawa side's request a dozen or so years ago.

Since Takanori Okubo, Ozawa's first state-funded secretary who was arrested on suspicion of violating the Political Funds Control Law, assumed the post of taking charge of accounting for Ozawa's political fund-management body, Rikuzan-kai, in 2000, he discussed the details of donations with executives of Nishimatsu, according to

TOKYO 00000501 006 OF 012

persons concerned.

Alleging that Okubo knew the donations amounting to 25 million yen annually actually came from Nishimatsu, prosecutors seem to be judging it inevitable to question Ozawa in order to uncover the illegal donation system.

7) Ozawa's secretary asked Nishimatsu for donations, setting certain amount

MAINICHI (Page 1) (Excerpts)
March 5, 2009

It is alleged that Democratic Party of Japan (DPJ) President Ichiro

Ozawa's fund-managing organization received some of the donations by Nishimatsu Construction Co., a second-tier construction company, directly from its incumbent executives, according to persons involved in the case. On suspicion of receiving illegal political donations, Takanori Okubo, Ozawa's first state-funded secretary, was arrested in violation of the Political Funds Control Law. It has also been unveiled that Okubo had sent written requests to the company for donations, setting a certain amount. The special investigation squad of the Tokyo District Public Prosecutors Office alleges that Okubo received the donations while knowing that the money came from Nishimatsu.

Okubo received a total of 21 million yen from Nishimatsu between 2003 and 2006, when he was in charge of accounting for Ozawa's political fund-management body. Prosecutors allege that while Okubo knew the money came from Nishimatsu, he falsely recorded in the body's financial statement that the money came from two political groups established by an ex-executive of Nishimatsu, both disbanded in 2006. The two associations are Shin-Seiji Mondai Kenkyu-kai (New Political Issues Study Association) and Mirai Sangyo Kenkyu-kai (Future Industry Study Association). Okubo reportedly has denied the allegations.

According to persons connected to Nishimatsu, in the case of offering donations to politicians, the company transferred the money to their bank accounts in the names of the two associations. But there were cases in which company executives brought money directly to their offices. Former Nishimatsu President Mikio Kunisawa, who was arrested with Okubo, decided on amounts and destinations of donations, according to informed sources.

Okubo sent requests for donations to the company in the name of Rikuzan-kai, and the company gave the donations through the two associations.

8) Ozawa's arrested secretary coordinated with Nishimatsu Construction on donations

ASAHI (Top play) (Excerpts)
March 5, 2009

Democratic Party of Japan President Ichiro Ozawa's first state-funded secretary Takanori Okubo, 47, who also serves as chief accountant of Ozawa's fund-management body, Rikuzankai, has been arrested on suspicion of receiving illegal donations. Okubo annually sent Nishimatsu Construction Co. requests for donations to Rikuzankai and the DPJ's local chapter after holding talks with Akifumi Okazaki, 67, who was serving as the company's general

TOKYO 00000501 007 OF 012

affairs department chief, it has been learned. Okubo allegedly set the total amount of annual donations from Nishimatsu to the Ozawa side at 25 million yen.

The special investigation squad of the Tokyo District Public Prosecutors Office has learned such events from persons connected with Nishimatsu. Prosecutors apparently think that such developments prove Okubo's active involvement in the donation scandal, in which he allegedly falsified records to make it appear that the money came from political organizations. Okubo has denied the charges.

According to the investigation, Okubo allegedly falsely listed in Rikuzankai's political fund report for a period between 2003 and 2006 a total of 21 million yen in donations from Shin-Seiji Mondai Kenkyu-kai (New Political Issues Study Association) and Mirai Sangyo Kenkyu-kai (Future Industry Study Association) -- both were dummy political groups headed by former Nishimatsu executives - knowing full well that the money was actually a political donation from Nishimatsu. The Political Funds Control Law prohibits donations under the name of a different person and corporate donations, except those made to political parties.

According to a connected source, Nishimatsu began making donations to the Ozawa side from around 1995 when Shin-Seiji Mondai Kenkyu-kai was established with the aim of winning orders for large projects, such as dams, in the Tohoku region. The Ozawa office allegedly made

coordination with Nishimatsu around that time and decided to set the total annual donation at 25 million yen and on allocating the money to Rikuzankai and the Ozawa-headed DPJ regional chapter. The arrangement was made to avoid the close ties with the Ozawa side becoming conspicuous.

9) Former Prime Minister Mori, other LDP lawmakers received donations from Nishimatsu say, "Properly filed," "Don't know where donations came from"

TOKYO SHIMBUN (Page 1) (Full)
March 5, 2009

Liberal Democratic Party (LDP) lawmakers, who had received donations from the political organizations headed by former Nishimatsu Construction Co. officials, yesterday underscored differences between their cases and that of Democratic Party of Japan (DPJ) President Ichiro Ozawa, whose chief public secretary has been arrested (on suspicion of violating the law), with one member saying, "I have handled the money properly." Another said: "I did not know where the donations came from."

Shunichi Yamaguchi, advisor to the prime minister, whose political fund-management organization had received 2 million yen in donations in 2004, expressed his intention return the money. He told reporters yesterday afternoon: "Usually we don't know whether donors are doing illegal things."

Koji Omi, former finance minister, who had filed in reports on political funds to the government in 2004 and 2005 that a total of 4 million yen was donated from Nishimatsu, said: "I have properly reported in accordance with the Political Funds Control Law."

Lower House member Koichi Yamamoto, from whom Nishimatsu had purchased party tickets totaling 1 million yen in 2004, said: "I have reported that everything has been filed properly in accordance

TOKYO 00000501 008 OF 012

with the law."

Former Prime Minister Yoshiro Mori's political fund-management organization wrote in political fund reports submitted in 2004 and 2005 that a total of 3 million yen was donated. Mori released a statement through his lawyer that went: "I did not know at all and I even don't know now how the donation money was made."

Tokio Kano, senior vice minister of economy, trade and industry, who sold party tickets totaling 2 million yen to Nishimatsu in 2004, said: "Since I consider (party tickets) as costs for wining and dining and information fees, I will not return the money."

10) 18 lawmakers, besides Ozawa, received donations from Nishimatsu in three years

YOMIURI (Page 39) (Full)
March 5, 2009

Nishimatsu Construction Co. besides Democratic Party of Japan (DPJ) President Ichiro Ozawa donated a total of approximately 61 million yen to the political fund-management organizations of 18 ruling and opposition party lawmakers, and factions in the Liberal Democratic Party (LDP) for three years until 2006 through its dummy political groups -- Shin Seiji Mondai Kenkyu Kai and Mirai Sangyo Kenkyu Kai. The 61 million yen total includes 4 million yen to the political fund-management body of former Finance Minister Koji Omi, an LDP member; and 4 million to the political fund-management organization and former transport minister Takao Fujii, LDP member and to a LDP prefectural chapter.

Political donations to main Diet members by Nishimatsu
Construction's dummy political groups

Diet member Party Amount of donations
Ichiro Ozawa
(Lowe House member) DPJ 14 million yen (G)
10 million yen (P)

Koji Omi
(Lower House member) LDP 4 million yen (G)
Takao Fujii
(Upper House member) LDP 1 million yen (G)
3 million yen (P)
Kimitaka Fujino
(ex-Upper House member) LDP 4 million yen (P)
Yoshiro Mori
(Lower House member) LDP 3 million yen (G)
Kenji Yamaoka
(Lower House member) DPJ 2 million yen (G)
Hideo Watanabe
(Upper House member) Reform Club 2 million yen (P)
Shunichi Yamaguchi
(Lower House member) LDP 2 million yen (G)

N.B.: (G) indicates lawmakers' political fund-management bodies to which donations are prohibited; and (P) indicates party's prefectural chapters headed by Diet members.

11) Doubts about Ozawa grow; Argument of his possible resignation simmering in DPJ

YOMIURI (Page 1) (Full)

TOKYO 00000501 009 OF 012

March 5, 2009

Democratic Party of Japan (DPJ) leader Ichiro Ozawa's fund-management organization, Rikuzankai, sent Nishimatsu Construction Co. requests for donations before receiving contributions in violation of the Political Funds Control Law, it became clear yesterday. This has raised doubts in the DPJ about Ozawa's handling of political funds. There are still calls for Ozawa's voluntary resignation.

The DPJ held yesterday separate meetings of its Upper House and Lower House members. As a result, the DPJ lawmakers confirmed a policy direction to remain united under President Ozawa based on the fact that he has denied the illegality of donations in a press conference and other venues. Secretary General Yukio Hatoyama played up the injustice of the investigation, saying: "With the next Lower House election near at hand, it is natural to generate speculation that the prosecutors had a political intent."

The party also sent a message to those running in the next Lower House on the DPJ ticket what Ozawa had stated in the press conference in outline, along with the secretary general's statement describing the investigation as "regrettable." Owing partly to the party leadership's strong efforts to prevent internal conflicts, there are no calls for Ozawa's swift resignation.

Nevertheless, the new facts that have emerged about Rikuzankai after Ozawa's press conference are rocking the party significantly. A member critical of the party leadership said: "If there is contradiction to Mr. Ozawa's explanation that he did not regard the money as corporate donations, he would not be able to stay in his post."

Another member said: "Was there any need to criticize the prosecutors by receiving Mr. Ozawa's assertion on faith? If Mr. Ozawa was forced to resign, the whole party's responsibility would be questioned."

12) Dump-Aso movement subsides after cash handout program settled; Once-in-a million chance arises to damage DPJ

ASAHI (Page 4) (Excerpts)
March 5, 2009

With a change in the tide following the arrest of the state-paid secretary of Democratic Party of Japan President Ichiro Ozawa, bills related to the fiscal 2008 second supplementary budget were readopted yesterday by the House of Representatives without any upsets. Moves to unseat Prime Minister Taro Aso have also subsided temporarily, and there is a strange mood in the ruling bloc favoring

prolonging the life of the Aso administration. Nevertheless, there still remains discontent underneath that the ruling parties cannot fight the upcoming election under Prime Minister Aso.

After Ozawa's press conference, New Komeito deputy head Toshiko Hamayotsu called for his resignation, saying to reporters: "(Mr. Ozawa's words that described the investigation as unjust) were nothing but a delusion of persecution to avoid his responsibility. His responsibility is serious. He should resign as leader (of the DPJ)."

But voices calling for Ozawa's immediate resignation are a minority

TOKYO 00000501 010 OF 012

in the ruling bloc. Liberal Democratic Party Lower (LDP) House member Masazumi Gotoda said: "For the ruling parties, it's not good for (Mr. Ozawa) to resign."

For the ruling camp, which has long struggled with the Aso administration's dwindling support ratings, Ozawa's donation scandal is a chance in a million.

As seen in former LDP Secretary General Taku Yamasaki's comment, "We should call him to the Diet to have him tell the truth," the ruling bloc apparently wants to deliver a damaging blow to the DPJ as long as possible.

13) Cash handout bill clears Diet; Koizumi, Ono abstain from casting ballots

NIKKEI (Page 1) (Excerpts)
March 5, 2009

A bill to finance the fiscal 2008 second supplementary budget, which includes the cash-handout program and express way toll discount plan, yesterday cleared the Diet. It was readopted by the House of Representatives with a two-thirds majority of lawmakers from the ruling Liberal Democratic Party (LDP) and its coalition partner New Komeito voting. Following the passage of the legislation, the municipalities will speed up the work of providing the money to their residents. The outlook is that some municipalities will start offering cash payments today, but most of them will initiate the provision in April or later.

The LDP and New Komeito rammed the legislation through the Lower House with a two-thirds majority vote, overriding the rejection by the House of Councillors, as they had done so last December when the refueling mission law was extended and the Financial Functions Strengthening Law was revised. It took more than six months for the bill to clear the Diet since some in the ruling coalition had come up with the notion of slashing taxes, the original idea for the cash-handout program.

The main opposition Democratic Party of Japan (DPJ), the Japanese Communist Party, the Social Democratic Party and the People's New Party rejected the bill in yesterday's Lower House plenary session. The bill was approved by a 333 to 136 vote. Former Prime Minister Junichiro Koizumi, who had raised eyebrows by opposition the bill, skipped the session. Jiro Ono, one of Koizumi's former secretaries, walked out of the session to abstain from voting. The LDP leadership did not punish Koizumi, who had submitted a notification of absence, but it punished Ono by giving him a warning.

Under the cash-handout program, individuals will receive 12,000 yen (about \$120) each and those aged 18 and younger and those aged 65 and older will be additional 8,000 yen. The villages of Nishiokoppe in Hokkaido and Nishimeya in Aomori Prefecture will start today offering the money to their residents. Although most municipalities will begin to offer payments in April, some municipalities might do so in May after the Golden Week holidays.

14) Second extra budget likely to have only slight effect on buoying up economy

ASAHI (Page 6) (Abridged slightly)
March 5, 2009

With the enactment of bills related to the fiscal 2008 second supplementary budget on March 4, it is now possible to implement the overall budget. The showcase of the budget is an economic stimulus package, including a cash handout scheme and a cut in highway tolls, which the government proposed even at the cost of drawing critics that it is a pork-barrel budget. However, the ripple effect is limited. Since the economic decline is accelerating, the idea of another major stimulus package is being considered.

The economic stimulus package incorporated in the second extra budget costs approximately 5 trillion yen. The budget was enacted in late January. However, the enactment of legislation for drawing financial resources worth 4.2 trillion yen from reserves in the special fiscal investment and loans program account has been delayed. For this reason, only several hundred-billion yen worthy of projects, such as making school buildings earthquake-proof and repairing the damage wrought by natural disasters financed by construction government bonds, have started.

Following the passage of related bills, the government will hurry to execute the remaining budgets. Some municipalities will start distributing flat-sum cash handouts before the end of this month. A measure to set a highway tolls in local regions at a flat rate of 1,000 yen on Saturdays, Sundays and national holiday will also be implemented starting on the 28th.

However, those measures are not sufficient in preventing the economy from further deteriorating. According to projections by private think-tanks, the growth of the economy in fiscal 2008 will likely be minus 3 PERCENT. The second supplementary budget's effect of boosting the economy is only 0.2 PERCENT, according to an estimate made by the Nomura Securities Financial and Economic Research Center.

15) News of Ozawa aide scandal triggers selling of yen, bringing up dollar to near 100-yen line

SANKEI (Page 2) (Excerpts)
March 5, 2009

The effect of the scandal over the arrest of the top aide to Democratic Party of Japan President Ozawa spread to the financial market yesterday. The U.S. dollar rose by more than 1 yen over the previous day on the Tokyo Foreign Exchange Market. In early February, the dollar stayed at the level of 89 yen to the dollar, but the dollar gained about 10 yen over the past month on growing public distrust in politics, caused by former Finance Minister Shoichi Nakagawa's resignation and now the Ozawa scandal. Many observers in the financial markets anticipate that the dollar may climb to the level of about 100 yen.

On the 3rd, when the offices related to Ozawa were searched by prosecutors, the dollar rose more than 0.5 yen to the first half of the 98 yen level in New York. In Tokyo on the 4th, as well, the dollar fetched 98.82-84 yen, 1.07 yen down as of 5:00 p.m. from the previous day. In London and New York on the 4th, the dollar briefly climbed to a near 4-month high of the 99 yen level.

16) Ogata named envoy for Afghan affairs

MAINICHI (Page 5) (Full)

TOKYO 00000501 012 OF 012

March 5, 2009

Prime Minister Taro Aso yesterday appointed Sadako Ogata, president of the Japan International Cooperation Agency (JICA), to the post of special envoy to Afghanistan and Pakistan. Ogata will shortly visit the United States to hear the U.S. government's views regarding assistance and other matters.

Ogata, after meeting Aso at his office yesterday, told reporters:
"The situation in Pakistan will have sizable repercussions on
Afghanistan. I'd like to talk about what we can do and how the
United States will move."

17) Government plans to shrink whaling research program: Also
considering submitting the plan to IWC

ASAHI (Page 6) (Full)
March 5, 2009

The Ministry of Agriculture, Forestry and Fisheries has compiled a
plan to cut back on the number of catches in future research whaling
programs. With this, the government is now considering taking part
in discussion at an interim meeting of the international Whaling
Commission (IWC) to be held in Rome starting on March 9. However,
there is a possibility that Japan cannot take part in the
discussion, because anti-whaling countries are seeking zero
capture.

Research whaling started in 1987. It is now being carried out in the
Southern Ocean and the Northwest Pacific. Japan has notified the IWC
of its plan to catch 1,300 whales a year. The government intends to
submit a reduction plan, while monitoring the moves of anti-whaling
countries at the interim meeting. The planned cutbacks will likely
be between dozens and several hundred.

Japan has expanded its whaling research program year by year. This
will be the first time for it to submit a reduction plan at a formal
setting.

Fierce confrontation between pro-whaling countries and anti-whaling
countries is preventing cool-headed discussion at the IWC. It was
decided last summer that in order to normalize the situation, a
comprehensive settlement plan should be compiled by the annual
plenary meeting to be held in June this year. Japan's scientific
research whaling is a major bone of contention in such a process.

The draft proposal released on February 2 by Chairman Hogarth of the
U.S. notes that in return for traditional coastal whaling being
allowed in the sea around Japan, research whaling in the Southern
Ocean (1) should be abolished in stages over five years or (2) can
be continued on a reduced basis. Agriculture, Fisheries and Foreign
Minister Ishiba has indicated a view that it is impossible for Japan
to accept the first proposal.

ZUMWALT